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Message Text

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14
ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 IO-10 DODE-00 PM-04 H-02

L-03 NSC-05 PA-01 PRS-01 SS-15 USIA-06 INT-05 TAR-01

/103 W
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R 211836Z OCT 75
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 9800
INFO ALL EC CAPITALS 1221

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E.O. 11652: N/A
TAGS: ETRD, EEC
SUBJECT: COUNTERVAILING DUTY PETITIONS: US STEEL

REF: A. STATE 248802 B. EC BRUSSELS 9370

1. WE INFORMED THE COMMISSION OF THE TREASURY DECISION CONTAINED IN REFTEL A REJECTING THE PETITIONS IN THE STEEL COUNTERVAILING DUTY CASES. SOAMES IS DELIGHTED. HE WELCOMES THE DECISION AS ONE WITH A MOST VALUABLE PSYCHOLOGICAL EFFECT IN THE CURRENT ECONOMIC CLIMATE. WELLENSTEIN ALSO IS HIGHLY PLEASED. HE IS PARTICULARLY GLAD THAT ASSISTANT SECRETARY OF THE TREASURY MACDONALD WAS ABLE TO DISCUSS THESE
ISSUES WITH THE COMMISSION ON OCTOBER 17, SO THAT THE COMMISSION COULD HEAR AT FIRST HAND THE DEVELOPMENTS IN US GOVERNMENT THINKING AND COULD RECEIVE ANSWERS TO A NUMBER OF QUESTIONS. THE COMMISSION'S SPOKESMAN ALSO ISSUED A BRIEF PRESS STATEMENT WELCOMING THE TREASURY DECISION.

2. FIELDING DESCRIBES THE ACTION AS A FAIR-MINDED ONE WHICH WILL
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HAVE

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A BENEFICIAL EFFECT ON THE TRADE ATMOSPHERE AT A TIME OF RECESSION,
WHEN DOMESTIC PRESSURES ALL AROUND HAVE BEGUN TO BE INTENSE
(AS FOR EXAMPLEWITHIN THE COMMUNITY'S STEEL INDUSTRY ITSELF).
IT IS IN AN EFFORT TO DIFFUSE THESE PRESSURES THAT THE
COMMISSION IS CONSIDERING A SECTORAL DISCUSSION OF STEEL IN
THE OECD AS OUTLINED TO US BY WELLENSTEIN (REFTEL B).
FIELDING SHOWED PARTICULAR INTEREST IN LEARNING WHETHER THE
MACDONALD BRIEFING GAVE ANY INDICATION ABOUT WHETHER US
STEEL WISHED TO PURSUE THE MATTER FURTHER IN THE US COURTS.
WE ANSWERED THAT MACDONALD HAD STATED THAT THIS WAS NOT YET
KNOWN.

3. MISSION COMMENT: IT IS CLEAR THAT THE DECISION IN THE
STEEL CASE HAS COME AS VERY WELCOME NEWS TO EC CIRCLES HERE
AND WILL FURNISH VALUABLE AMMUNITION TO THOSE TRYING TO HOLD
THE LINE WITHIN THE COMMUNITY.

4. WE DO NOT KNOW HOW THE UNITED STATES GOVERNMENT WILL REACT
TO THE WELLENSTEIN PROPOSAL FOR SECTORAL DISCUSSIONS ON THE
STEEL INDUSTRY IN THE OECD, PARTICULARLY IN REGARD TO EXPLORING
POSSIBILITIES FOR A STABILIZING "GENTLEMEN'S AGREEMENT." WE
HAVE, HOWEVER, HEARD REPORTS THAT THE STEEL INDUSTRY HAS LONG
SOUGHT A MULTILATERAL ARRANGEMENT FOR TRADE IN STEEL LIKE
THEY SYSTEM CURRENTLY IN EFFECT FOR TEXTILES, AND THAT THEIR
RESORT TO THE COUNTERVAILING DUTY AND POSSIBLY OTHER
PROVISIONS OF LAW HAS BEEN PART OF ITS STRATEGY FOR FORCING
THE PACE. IF THIS IS TRUE, AND IF THE US GOVERNMENT DECIDES
TO PARTICIPAGE IN OECD DISCUSSIONS, WE SHOULD USE SUCH A
DECISION AS LEVERAGE WITH THE DOMESTIC STEEL INDUSTRY TO
AVOID FURTHER LEGAL ACTION AND ANY FURTHER PETITIONS. WE
DO NOT RECOMMEND THAT THE US GOVERNMENT DECISION ON OECD
DISCUSSIONS BE TAKEN SOLELY OR EVEN PRIMARILY ON THE GROUNDS
OF AVOIDING POSSIBLE COURT SUITS OR FURTHER PETITIONS. WE
ARE CERTAINLY ALSO NOT RECOMMENDING THAT THE US TAKE ANY
LEAD IN EXPORT RESTRAINT AGREEMENTS. HOWEVER, WE BELIEVE
THAT SHOULD THE US DECIDE TO BE DRAGGED BY OTHER TRADING
PARTNERS INTO SECTORAL DISCUSSIONS FOR WHATEVER PURPOSE,
THERE ARE TACTICAL CONCESSIONS WHICH COULD REASONABLY BE
SOUGHT NOT ONLY FROM OUR TRADING PARTNERS BUT ALSO FROM
DOMESTIC PRODUCERS, WHO MIGHT FAVOR SUCH DISCUSSIONS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, STEEL, COUNTERVAILING DUTIES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU09475
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750366-0012
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751034/aaaabdvg.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 248802, 75 EC BRUSSELS 9370
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 24 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 APR 2003 by ShawDG>; APPROVED <28 APR 2003 by GolinoFR>
Review Markings:

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US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTERVAILING DUTY PETITIONS: US STEEL
TAGS: ETRD, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006